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# DIFFERENTIAL TRADE ARRANGEMENTS OF FOREIGN COUNTRIES



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## PREFACE

Two regional reports have been published recently dealing with agricultural policies in the Western Hemisphere and in the Far East and Oceania (For. Agr. Econ. Rpts. 36 and 37). Two other studies, describing agricultural policies in Europe and the Soviet Union and in Africa and West Asia, are now being made.

This report provides a summary and conclusions to the separate regional reports with respect to the problem of major preferential trading areas. It discusses some recent effects of discriminatory preferences on the direction of agricultural trade--U.S. trade in particular. In addition, an attempt has been made to call attention to the effects of weather variations and other non-policy factors on the direction of these trade flows.

Because of variations in weather and trade promotion activities, the incidence of shipping strikes, changing consumer preferences, international crises, and other factors, the effects of trade association policies are difficult to measure. Some--like the impact of the variable levy system on EEC poultry imports--are clear cut, while others--such as the consequences of CACM common external tariffs--are not at all obvious. Therefore, only crude measures of trade flows are used to support the arguments presented in this report.

M. Patricia Schaffer, Economic Research Service, prepared the statements on EEC trade with Associated Overseas Countries and UNCTAD.

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## PREFERENTIAL TRADE ARRANGEMENTS OF FOREIGN COUNTRIES

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### SUMMARY

One of the fundamental principles of the international General Agreement on Tariffs and Trade (GATT) is that trade should be conducted on a nondiscriminatory basis. In particular, all member countries are bound by the most-favored-nation clause in the application of import and export duties and charges and in their administration. However, there are exceptions to this principle: preferential tariff arrangements existing between countries at the time the GATT was formed in 1947; and customs unions and free trade areas formed subsequent to 1947. In recognizing the first exception the GATT agreed to a freezing of the then existing level of preferences, that is, countries could not increase the margin between the preferential tariff and the tariff applicable to nonpreferential countries. In the case of customs unions and free trade areas, the GATT provides that such arrangements shall in effect lead to the reduction and elimination of trade barriers within the area without raising new barriers to trade with nonmember countries.

Early preferential trade among nations had its roots in colonialism, and the GATT rounds of tariff negotiations have made significant progress in eroding the discriminatory tariff preferences included in those types of arrangements. The Commonwealth preference tariff system, for example, has lost much of its significance. Although preferences continue to impede certain U.S. agricultural exports to the United Kingdom, increased U.K. self-sufficiency appears to have been a greater impediment to U.S. trade in the British market in recent years.

More recent types of preferential arrangements are customs unions and free trade areas. As indicated above, these are permitted under the GATT subject to certain criteria. The GATT states that integration of national economies is conceived as a means of contributing to the objectives of the GATT. It goes on to lay down the conditions under which a customs union or a free trade area is accepted as a basis for an exception to the most-favored-nation clause. The general purpose of these conditions is to ensure that economic integration is a



movement toward liberalism and not an attempt to create preferential arrangements involving additional trade restrictions.

During the Kennedy Round of GATT negotiations no progress was made in negotiating downward the trade-restrictive effects of the variable levy system of the EEC. Since the imposition of variable levies on grain in 1962, the United States has been able to increase its share of EEC grain imports largely because our competitors were short of grain or were occupied in supplying the unusual requirements of the Soviet Union. The intra-EEC share of EEC grain imports has increased sharply since 1962. Uniform EEC grain prices, which went into effect in July 1967, will provide the EEC (France, in particular) with additional incentives to increase grain production and exports at the expense of nonmember countries.

Although Japan is not a member of any preferential trade association, that country's extensive use of bilateral trade agreements tends to produce similar results with respect to the direction of trade. Currently Japan has agreements on commerce, trade, and payments with more than 40 countries.

The less developed countries belong to a wide variety of preferential trade associations: The Latin American Free Trade Association, the Central American Common Market, the Caribbean Free Trade Association, the EEC-Associated Overseas Countries, and various African customs unions. In addition, many of these countries are associated with the Commonwealth preference system or have bilateral preferential arrangements with other countries. Thus far, it does not appear that the trade of many of the less developed countries has benefited greatly from these associations, perhaps because of declining prices for tropical products, political instability in many of these countries following independence, and differences in the degree of development among members. The major exceptions to this general rule are (1) the countries of the Central American Common Market, where rapid elimination of trade barriers has stimulated foreign trade and economic growth; (2) the countries of Southeast Asia, Thailand in particular, whose bilateral agreements with Japan have provided them the necessary capital to purchase industrial goods, albeit Japanese goods; (3) the cocoa-producing Associated Overseas Countries of Africa, whose preferred status appears to have improved their position in the EEC market.

#### THE EUROPEAN ECONOMIC COMMUNITY 1/

In supporting establishment of a European common market, the United States was well aware that. . . a common agricultural policy would call, in turn, for common external tariffs to give EEC farmers some protection against imports from non-EEC countries. But the agricultural trade policy that has emerged in the EEC is far different from what the United States envisaged when merger of the six countries was under discussion. The United States feels that the EEC's policy will unduly restrict imports of several major farm commodities, notably grains. 2/

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1/ Members: Belgium, France, Italy, Luxembourg, Netherlands, and West Germany.

2/ A. Richard De Felice, "The EEC-American Debate on Agricultural Trade Policy," Foreign Agriculture, U.S. Dept. Agr., Foreign Agr. Serv., July 11, 1966, p. 3.

## Variable Levies and U.S. Exports

The variable levy import system of the EEC which skims off the difference between world prices and the higher EEC prices, places nonmember countries in the position of residual suppliers.<sup>3/</sup> Table 1 shows U.S. exports of major commodities subject to the variable levy system. Until July 1962--when the EEC imposed levies on grain, grain products, poultry, and eggs--U.S. exports of these items to the EEC increased rapidly. Since fiscal year 1961/62, growth has been both slow, reflecting the residual position of nonmember products, and erratic, reflecting variations in the weather.

The unusually large U.S. exports of feed grains to the EEC in 1965/66 were primarily the result of very poor 1965 harvests in competing countries, Argentina and South Africa in particular, coupled with static production in the EEC in that year. Following the recovery of feed grain output in the EEC and competing countries in 1966, U.S. exports to the EEC declined sharply in 1966/67. Because of very poor Soviet wheat crops in 1963 and 1965, EEC exports of wheat and wheat flour to the U.S.S.R. and other CEMA<sup>4/</sup> countries rose rapidly during 1963-66 (see appendix table 9).<sup>5/</sup> This accounts for the unusually large shipments of U.S. wheat to the EEC in 1963/64 and 1965/66 shown in table 1. Short wheat crops in EEC countries in 1966 explain the high 1966/67 U.S. exports of wheat. The impact of the variable levy system on U.S. sales of poultry and eggs, commodities whose trade is affected very little by the weather, is clearly shown in table 1.<sup>6/</sup>

## EEC Grain Trade

Table 2 shows EEC imports of grain and grain products, including intra-EEC trade. The United States has increased its share of EEC grain imports since the imposition of variable levies, largely, as noted above, because our major

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<sup>3/</sup> For explanation of how the system works, see Harry W. Henderson, Terms Used in International Agricultural Trade, U.S. Dept. Agr., FAS-M-152 Revised, 1967, pp. 20 and 37.

<sup>4/</sup> Council for Economic Mutual Assistance. Bulgaria, Czechoslovakia, East Germany, Hungary, Mongolia, Poland, Romania, and the U.S.S.R.

<sup>5/</sup> Other factors contributing to the strong CEMA demand during 1963-66 were (1) overexporting by the U.S.S.R. during 1959-62 despite mediocre crops and (2) the drawdown in Soviet wheat stocks to meet the potato shortage in 1962/63. The U.S.S.R. normally supplies wheat to most other CEMA countries.

<sup>6/</sup> The U.S.-EEC dispute on poultry levies has received such widespread publicity that it would be redundant to trace the developments here. See Herman Walker, "Dispute Settlement: The Chicken War," The American Journal of International Law, vol. 58, No. 3, July 1964, pp. 671-685; Foreign Agricultural Trade of the United States, U.S. Dept. Agr., Econ. Res. Serv., June 1965, p. 32; and Foreign Agriculture, U.S. Dept. Agr., Foreign Agr. Serv., June 26, 1967, p. 6, Feb. 13, 1967, p. 3, Nov. 7, 1966, p. 21, July 11, 1966, p. 11, and May 30, 1966, p. 3.

Table 1.--U.S. exports of selected variable levy commodities to the EEC, fiscal years 1957/58-1966/67

Commodity	1957/58	1958/59	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67
	Million dollars, f.o.b.									
Feed grains	113	215	229	197	271	274	278	377	537	368
Wheat and wheat flour	57	63	47	120	121	42	94	37	103	97
Poultry and eggs	3	9	24	34	65	30	34	28	29	23
Total	173	287	300	351	457	346	406	442	669	488

Sources: Foreign Agricultural Trade of the United States, U.S. Dept. of Agr., For. Agr. Serv., Sept. 1966, p. 44, and Sept. 1967, p. 69. Foreign Development and Trade Division/Trade Statistics and Analysis Branch Worksheets, Oct. 9, 1962.



Table 2.--EEC imports of grain and grain products from the United States and intra-EEC, 1959-66

Country and commodity	SITC number	1959	1960	1961	1962	1963	1964	1965	1966
----- Million dollars, c.i.f. -----									
United States:									
Wheat	041	45	45	185	76	74	82	73	125
Rice	042	10	7	11	15	12	14	10	19
Barley	043	64	45	17	80	34	27	34	45
Corn	044	83	87	122	168	237	267	380	413
Other cereals	045	84	88	61	104	85	74	103	111
Wheat flour	046	6	8	6	5	2	2	1	1
Other flour	047	0	0	0	0	0	0	0	0
Cereal preparations	048	0	0	0	1	1	1	1	1
Total		292	280	402	449	445	467	602	715
Intra-EEC:									
Wheat	041	38	32	34	30	34	59	85	73
Rice	042	6	5	4	5	3	4	13	9
Barley	043	7	26	55	46	65	77	88	121
Corn	044	1	4	22	6	30	60	103	99
Other cereals	045	8	10	12	8	7	13	17	14
Wheat flour	046	7	12	6	10	2	2	2	3
Other flour	047	6	3	1	2	1	2	2	2
Cereal preparations	048	24	35	42	51	59	67	76	82
Total		97	127	176	158	201	284	387	403
Total EEC imports:									
Wheat	041	299	272	503	396	301	309	354	369
Rice	042	45	41	36	50	41	47	45	63
Barley	043	162	155	118	214	140	155	210	254
Corn	044	219	266	280	375	506	546	727	765
Other cereals	045	137	161	122	200	162	150	175	182
Wheat flour	046	26	34	20	18	11	6	6	6
Other flour	047	6	3	2	2	1	2	2	2
Cereal preparations	048	39	52	62	73	83	89	98	106
Total		933	984	1,143	1,328	1,245	1,304	1,618	1,748
----- Percent of total -----									
United States	---	31	28	35	34	36	36	37	41
Intra-EEC	---	10	13	15	12	16	22	24	23

Sources: Agricultural Trade of the European Economic Community 1959-64, U.S. Dept. Agr. ERS-Foreign 165, Nov. 1966, Foreign Agricultural Trade of the United States, U.S. Dept. Agr., Jan. 1967, p. 14, and Sept. 1967, p. 13. U.N. Commodity Trade Statistics, Series D.

competitors (Argentina, South Africa, Canada, and Australia) either were short of grain or were occupied in supplying the unusual requirements of the Soviet Union. Intra-Community trade accounted for about 10 to 15 percent of the imports during calendar years 1959-62; stimulated by trading preferences, the EEC share rose to about 22 to 24 percent during 1964-66.

In 1958-61, the Common Market imported an annual average of \$6.7 million worth of U.S. wheat flour, most of which entered Dutch ports. During this period, the Dutch duty on U.S. flour amounted to \$14.50 per metric ton. In July 1962, a variable levy of \$49.60 per ton was imposed and EEC imports of U.S. flour dwindled to about \$1 million in 1965 and 1966. EEC imports of flour from all sources, including intra-EEC imports, have dropped sharply.

Under the Common Agricultural Policy, high support prices have stimulated Community production of grain and grain products, and export subsidies financed from levy receipts have fostered a large increase in exports to nonmember countries. As shown in table 3, EEC exports of these commodities to nonmember West European countries jumped after 1962. As indicated above, most of the increased grain sales to CFMA since 1962 were in the form of wheat and flour.

The EEC's uniform grain prices--which went into effect on July 1, 1967--will provide the EEC, France in particular, with additional incentives to boost grain output at the expense of nonmember countries.

#### EEC Trade with Associate Members

The Community entered into association agreements with Greece in November 1962 and with Turkey in December 1964, providing preferential tariff rates and/or quotas on major agricultural exports from these countries. For both of these countries, tobacco is the most important commodity in this trade. EEC duties on Greek tobacco were reduced by 50 percent in 1962 and by an additional 25 percent during 1964-66, and are to be abolished by the end of 1967. In 1964, similar tariff benefits were extended to Turkey, with tariff quotas set at 28 million pounds for 1965 and 39 million pounds for 1966.

The effect of these concessions is not reflected in table 4 because of the interference of nonpolicy factors: Blue mold disease threatened oriental tobacco in the middle east in 1962 and, fearing future supplies would be jeopardized, EEC importers purchased unusually large quantities of oriental leaf from Greece, Turkey, and Bulgaria. With EEC stocks of oriental tobacco at a high level and favorable prospects for control of blue mold, EEC imports of oriental declined in 1963. Since 1963, EEC imports of Greek tobacco have increased sharply. Imports from Turkey in 1965 and 1966, however, were short of tariff quotas, with Bulgaria apparently filling the gap.

Average annual EEC imports from all sources during 1963-66 were about 605 million pounds, compared to 425 million in 1958-61. Most of the gain in volume was accounted for by the United States, Rhodesia, Bulgaria, Argentina, and Brazil. West Germany has been purchasing more Bulgarian tobacco, under the terms of a bilateral agreement, and France has been purchasing larger quantities of lower grade Brazilian and Argentine leaf. Bulgarian oriental tobacco

Table 3.--EEC exports of grain and grain products, 1959-66

Destination	1959	1960	1961	1962	1963	1964	1965	1966
	Million dollars, f.o.b.							
EFTA	68	74	80	92	142	183	203	158
Other West Europe <sup>1/</sup>	2	5	7	7	20	54	48	41
Total non-EEC								
West Europe	70	79	87	99	162	237	251	199
CEMA	4	2	11	28	83	100	117	126
AOC	48	66	59	52	41	43	58	48
Other	80	81	95	106	113	115	122	115
Total Non-EEC	202	228	252	285	399	495	548	488
Intra-EEC	102	123	170	155	200	270	371	391
Total	304	351	422	440	599	765	919	879

<sup>1/</sup> Finland, Greece, Ireland, and Spain.

Source: Appendix table 9.

Table 4.--EEC tobacco imports, by country, 1958-66

Country	1958	1959	1960	1961	1962	1963	1964	1965	1966
	Million pounds								
Greece	61	61	55	51	68	47	59	66	71
Turkey	28	24	21	30	55	22	20	19	30
United States	114	107	129	125	148	154	149	159	165
Rhodesia	18	27	39	39	51	52	59	56	37
Brazil	25	27	23	32	44	44	15	48	50
Bulgaria	10	13	13	15	27	36	30	32	37
Argentina	2	2	3	5	11	27	22	28	17
Indonesia	18	20	19	16	28	14	14	13	20
Intra-EEC	20	23	34	48	57	43	43	39	41
Other	96	92	103	113	115	142	195	151	157
Total	392	396	439	474	604	581	606	611	625

Source: Foreign Trade, Analytical Tables, Statistical Office of the European Communities, various issues. U.N. Commodity Trade Statistics, Series D.

competes directly with Greek and Turkish oriental while U.S. and Rhodesian flue-cured tobaccos compete indirectly when they replace oriental in the blending process.

#### EEC Trade with Associated Overseas Countries

The EEC has a preferential trading arrangement with 18 African states,<sup>7/</sup> the Associated Overseas Countries (AOC), which were former colonies and U.N. Trust Territories of France, Belgium, and Italy. Prior to the formation of EEC, France had formed with her colonies a closed trading group with minimal intragroup trade restrictions. Trade was conducted at prices well above the world market. To accommodate this system within the newly formed EEC, the first Convention of Association was devised at the time of the Treaty of Rome. Its aim was to replace the protected market these colonies had enjoyed in France with a market in all EEC countries, and to spread the cost of development aid to these colonies among the whole Community. The European Development Fund was set up to implement the latter goal, but France continued her previous price support policy throughout the first Convention.<sup>8/</sup>

The second Convention of Association, signed at Yaounde in July 1963, extends the African states' association with the EEC until 1969. In this Convention the African countries committed themselves to a timetable for the gradual elimination of their price-supported markets. To aid in this transition and in the development of the AOC, the EEC pledged \$730 million for a program of technical and financial aid administered by the European Development Fund and the European Investment Bank. The agreement on trade preferences provided that the AOC would benefit from the successive tariff reductions on intra-EEC trade. EEC duties on several tropical agricultural products of the AOC, including coffee and cocoa, were abolished in the Yaounde Convention, and a Common External Tariff on EEC imports of the same commodities from third countries was imposed.

Coffee from the AOC has entered the EEC duty-free since 1964, while a tariff of 9.6 percent is levied on coffee from third countries. Prior to 1964, Benelux had a tariff on coffee of only 2 percent. A special provision allows Benelux to raise its tariff to the common level of 9.6 percent by stages, increasing it to 5 percent by 1965 and 9.6 percent by 1967. Ivory Coast, Cameroon, Malagasy Republic, and Congo (Kinshasa) are the major coffee-exporting nations of the AOC. Between 1964 and 1967, they were gradually weaned with

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<sup>7/</sup> Burundi, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Congo (Kinshasa), Dahomey, Gabon, Ivory Coast, Malagasy Republic, Mali, Mauritania, Niger, Rwanda, Senegal, Somali Republic, Togo, and Upper Volta.

<sup>8/</sup> For more background on the AOC, see The Agricultural Economy of the Belgian Congo and Rwanda-Urundi, U.S. Dept. Agr., ERS-Foreign 22, Mar. 1962, p. 48, and Implications for Trade and Development of Developing Countries of Economic Groupings of Developed Countries and/or Preferential Trading Arrangements, vol. I, United Nations Conference on Trade and Development, E/Conf. 46/31, Feb. 3, 1964, pp. 31-44.



EEC aid from dependence on the French supported price, and they are now selling coffee to the EEC at world prices. As shown in table 5, the AOC share of EEC coffee imports has declined since 1964, in terms of value and volume.

The Common External Tariff of the EEC on cocoa beans was set at 5.4 percent. The total amount of cocoa consumed in the EEC has risen since 1959 because of falling cocoa prices and rising incomes, but most of the cocoa imported still is processed for re-export. Table 5 shows that the AOC has increased its share of EEC cocoa imports since 1962, at the expense of imports from Commonwealth countries and Latin America.

As a result of the Kennedy Round, the EEC granted concessions on products of interest to Latin America, including coffee and cocoa. These concessions reduce the margin of preference enjoyed by the AOC.

Some agricultural products of the AOC that are similar to and competitive with EEC products are regulated by the Community's Common Agricultural Policy (CAP). In the Yaounde Convention the EEC promised only to "take the interests of the Associated States into consideration" in developing a trade policy for these goods, of which the most important are sugar, oilseeds, and vegetable oils.

The "single" market for sugar will become effective on July 1, 1968. At that time sugar imports from Malagasy Republic and Congo (Brazzaville), the only sugar exporters of the AOC, will be subject, with the rest of the world, to a variable levy. At present each EEC country maintains its own sugar trade arrangements. In 1968 the variable levy system will replace the national programs, leaving the AOC without the French guaranteed price and quota system, and with no EEC trade preference for sugar. For the period of the Yaounde Convention, Malagasy is receiving \$31.6 million in aid from the European Development Fund to diversify its economy and improve its competitiveness in world markets for sugar and other commodities. The EEC Commission has recommended to the Council that sugar imports from the AOC be fostered by a subsidy to EEC refineries that use AOC sugar and by special tariff treatment for AOC canned fruits with sugar added. The AOC as a unit is a net importer of sugar, especially from France.<sup>9/</sup>

On July 1, 1967, the CAP for oilseeds and oils came into effect. Tariffs on AOC vegetable oils were abolished and a Common External Tariff of 5 to 15 percent was set for various sorts of oils imported from third countries. From 1964 to 1967, the main oil and oilseed exporters of the AOC--Senegal, Niger, and Congo (Kinshasa)--received economic aid from the EEC to enable them to sell their products at world market prices. The 20-percent price support for French imports of peanuts from Senegal was phased out gradually from 1964 through 1967. The price support on palm oil was abolished in 1964. However, in July 1967 the EEC agreed to compensate the AOC for 80 percent of the difference between the world price and an agreed reference price under the CAP.

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<sup>9/</sup> AOC imports from France, however, include Malagasy sugar refined in France.



Table 5.--EEC imports of coffee and cocoa by country, 1959-66

SITC number	Commodity and country	Unit	1959	1960	1961	1962	1963	1964	1965	1966
071	Coffee									
	: AOC	: Mil. dol. c.i.f.	: 132	: 118	: 114	: 117	: 125	: 167	: 138	: 155
	: Commonwealth	: Mil. dol. c.i.f.	: 43	: 46	: 49	: 40	: 35	: 43	: 44	: 45
	: Latin America	: Mil. dol. c.i.f.	: 294	: 304	: 304	: 316	: 315	: 382	: 420	: 408
	: Total value	: Mil. dol. c.i.f.	: 508	: 508	: 509	: 517	: 527	: 667	: 690	: 704
	: Total quantity	: 1,000 m. tons	: 579	: 619	: 649	: 679	: 710	: 760	: 767	: 778
	: AOC share of total									
	: value	: Percent	: 26	: 23	: 22	: 23	: 24	: 25	: 20	: 22
	: AOC share of total									
	: quantity	: Percent	: 32	: 29	: 28	: 27	: 28	: 28	: 25	: 25
072	Cocoa									
	: AOC	: Mil. dol. c.i.f.	: 70	: 62	: 53	: 61	: 80	: 83	: 83	: 78
	: Commonwealth	: Mil. dol. c.i.f.	: 116	: 102	: 97	: 96	: 92	: 91	: 73	: 81
	: Latin America	: Mil. dol. c.i.f.	: 36	: 31	: 25	: 21	: 15	: 16	: 13	: 18
	: Total value	: Mil. dol. c.i.f.	: 240	: 213	: 199	: 195	: 209	: 218	: 198	: 205
	: Total quantity	: 1,000 m. tons	: 294	: 322	: 369	: 387	: 381	: 392	: 448	: 432
	: AOC share of total									
	: value	: Percent	: 29	: 29	: 27	: 31	: 38	: 38	: 42	: 38

AOC figures include Overseas Territories, but their share in these commodities is negligible.

Sources: Agricultural Trade of the European Economic Community 1959-64, U.S. Dept. Agr., ERS-Foreign 165. U.N. Commodity Trade Statistics, Series D.

The Yaounde Convention provides that any state with "an economic structure and production comparable to those of the Associated States" may associate itself with the EEC. In July 1966 Nigeria signed an agreement of association with the EEC under which its exports would enter the Common Market at the internal tariff rate. However, in deference to the interests of the AOC, quotas were placed on the free entry of cocoa beans, palm oil, peanut oil, and plywood, products which account for one-fourth of the value of Nigeria's exports. When this agreement is ratified, Nigeria will become the first country to enjoy trade preferences with both the EEC and the British Commonwealth.

#### THE UNITED KINGDOM

The United Kingdom is the world's largest importer of agricultural products, although collectively EEC member country imports are greater. It is the largest foreign market for U.S. tobacco and lard, and an important market for U.S. feed grains, wheat, cotton, oilseeds, and fruits.

#### Commonwealth Preference

The members of the British Commonwealth,<sup>10/</sup> as well as Ireland and the Republic of South Africa, continue to grant each other certain tariff concessions, referred to as "Commonwealth preferences." Although rising prices and the results of GATT negotiations have lessened the impact of these preferences, they continue to influence U.S. trade with the United Kingdom. The major "preference" commodities imported by the United Kingdom both from the United States and from Commonwealth preference countries during 1960-65 were tobacco, canned fruit, oilseeds, and beans (table 6).

For many years, tobacco from Commonwealth suppliers has entered the United Kingdom with a preferential tariff advantage of 21.5 cents per pound.<sup>11/</sup> Rhodesia, which enjoyed this advantage until sanctions were imposed early in

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<sup>10/</sup> The independent member nations are Australia, Barbados, Botswana (formerly Bechuanaland), Canada, Ceylon, Cyprus, Gambia, Ghana, Guyana (formerly British Guiana), India, Jamaica, Kenya, Lesotho (formerly Basutoland), Malawi (formerly Nyasaland), Malaysia, Malta, New Zealand, Nigeria, Pakistan, Sierra Leone, Singapore, Tanzania (formerly Tanganyika and Zanzibar), Trinidad and Tobago, Uganda, the United Kingdom, and Zambia (formerly Northern Rhodesia). The Republic of South Africa withdrew from the Commonwealth in May 1961 but continues to grant and receive certain Commonwealth preferences. For a comprehensive treatment of agricultural policies in the Commonwealth, see Montell Ogdon, The New British Commonwealth, U.S. Dept. Agr., Foreign Agr. Econ. Rpt. 5, Oct. 1962.

<sup>11/</sup> During the Kennedy Round, the United Kingdom offered to reduce this tariff by 25 percent provided the U.S. Congress repeals the American Selling Price system of valuation on certain chemical imports.

Table 6.--U.K. imports of selected agricultural commodities from Commonwealth preference (CP) countries and from the United States, 1960-66

SITC number	Commodity and country	1960	1961	1962	1963	1964	1965	1966
		Million dollars, c.i.f.						
121	Unmanufactured tobacco:							
	: Rhodesia, Zambia, Malawi	77	78	68	82	67	69	19
	: Canada	24	27	27	25	29	28	32
	: India	26	26	24	25	22	24	22
	: South Africa	1	2	2	1	2	4	4
	: Total CP	128	133	121	133	120	125	77
	: U.S.	149	139	94	134	115	94	135
	: Other	9	4	6	6	12	10	16
	: Total	286	276	221	273	247	229	228
053	Preserved and prepared fruit:							
	: South Africa	37	39	33	42	43	44	50
	: Australia	28	22	33	28	31	28	34
	: Malaysia	6	7	7	6	6	7	5
	: Canada	1	2	5	4	2	3	4
	: Jamaica	0	4	4	4	4	5	5
	: Total CP	72	74	82	84	86	87	98
	: U.S.	12	18	22	14	11	10	11
	: Other	62	67	67	64	66	65	74
	: Total	146	159	171	162	163	162	183
221	Oilseeds, oil nuts, and kernels							
	: Nigeria	51	49	49	54	47	45	34
	: Canada	30	31	27	22	23	30	25
	: U.S.	13	6	14	18	20	20	18
	: Other	59	51	59	53	43	43	49
	: Total	153	137	149	147	133	138	126

Sources: Foreign Trade, Trade by Commodities, Organ. for Econ. Coop. and Devlpmt., Statistical Bulletins, series C. vol. II, Imports, January-December. U.N. Commodity Trade Statistics, Series D.

1966, had a quota of 90 million pounds of flue-cured tobacco in the U.K. market until 1963; for 1963-65, this quota was raised to 100 to 105 million pounds. During 1960-65, the Commonwealth preference share of U.K. tobacco imports improved steadily, primarily at the expense of the United States. In 1966, the United States recovered a larger share of the market because of the sanctions on Rhodesian tobacco trade, a poor crop in India, and the U.S. export payment program.

Because of preferential duties and subsidized production in the Republic of South Africa and Australia, Commonwealth preference suppliers have substantially improved their position in the U.K. market for canned fruit. In the early 1960's, for example, almost 30 percent of the U.K. imports of canned peaches were purchased from U.S. exporters; the U.S. share now amounts to about 7 percent. Increased purchases from the Republic of South Africa and Australia have more than offset the drop in U.S. sales. Although not as striking as for canned peaches alone, this trend shows up in the figures for all types of canned fruit. As shown in table 6, annual average U.K. imports of U.S. canned fruit during 1963-66 were about \$6 million less than in 1960-62; in the same period, imports from South Africa increased by about \$8 million. A Kennedy Round reduction of 50 percent in U.K. duties on canned peaches and fruit cocktail may enable the United States to regain some lost ground in the canned fruit market.

Despite tariff advantages on oilseeds, enjoyed in the past<sup>12/</sup> by Canada and African Commonwealth countries (particularly Nigeria), the United States has managed to improve its position in the British market.

#### U.K. Trade with the European Free Trade Area<sup>13/</sup>

Unlike the EEC, EFTA has no common agricultural policy or uniform variable levy system. There are, however, certain bilateral agreements among EFTA members that involve agricultural commodities; the most important of these in terms of volume of trade is the United Kingdom-Denmark agreement eliminating U.K. tariffs on Danish bacon, canned pork, and blue cheese. Imports of Danish bacon are subject to quota regulations.

Blocked from the EEC market, Denmark has sought to obtain more trade concessions from the United Kingdom and other EFTA countries. The imposition of EEC variable levies on poultry, pork, and eggs in July 1962 caused considerable damage to Danish trade. For example, West Germany's imports of Danish poultry and other meat declined from 72,000 metric tons in 1962 to 37,000 in 1965, and imports of eggs from Denmark fell from 72 million dozen in 1962 to 7 million dozen in 1965.

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<sup>12/</sup> As a Kennedy Round concession, the United Kingdom will eliminate the 5-percent duty on non-Commonwealth soybeans.

<sup>13/</sup> Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom. Finland is an associate member.



## U.K.-Ireland Free Trade Agreement

In July 1966, the United Kingdom abolished all remaining duties on imports from Ireland and removed all quantitative restrictions on the entry of agricultural commodities except main-crop potatoes, sugar, butter, bacon, and grain. Either country can regulate agricultural imports from the other only if that country, at the same time, restricts its domestic production or marketing and regulates imports from other suppliers. Irish livestock exported to the United Kingdom for finishing cannot be regulated under the terms of the Agreement. Livestock for finishing account for 25 to 30 percent of the total value of Irish exports to the United Kingdom. Other agricultural features of the Agreement include U.K. sharing of Irish subsidy payments on limited quantities of beef and lamb shipped to the United Kingdom, duty-free access for Irish pork (excluding bacon), and seasonal protection to Irish apple growers against imports of U.K. apples. It is too early to gauge the effects of this Agreement on trade with third countries but Irish farm products should become much more competitive in the U.K. market.

## JAPAN

Japan is by far the largest foreign buyer of U.S. agricultural products (excluding the EEC as a unit), and the major dollar market for U.S. feed grains, soybeans, cotton, wheat and wheat flour, rice, and tallow.

Although not a member of any preferential trade association, Japan's extensive use of bilateral trade agreements tends to produce similar results with respect to the direction of trade. Currently Japan has agreements on commerce, trade, and payments with more than 40 countries.<sup>14/</sup>

With an economy heavily dependent on export trade, Japan selects the source of many of its imports with a view toward gaining or improving markets for its exports. The Japanese Ambassador to the United States recently stated this viewpoint as follows: "Of course, the ability of the United States to retain its predominant position will depend upon a number of things--the price has to be right, the quality must suit the demands of Japanese consumers, and (an area that the producers can less easily control) Japan must have the foreign exchange with which to buy. In other words, Japan must be able to continue to expand its exports if it is to increase its imports, and in particular it must expand its exports to Japan's principal foreign market--the United States."<sup>15/</sup>

In some instances, formal and informal bilateral arrangements have been pressed on Japan by countries having an unfavorable balance of trade with that country. Some countries have gone so far as to place a temporary ban on

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<sup>14/</sup> For a more complete analysis of Japan's trading arrangements, see Hughes H. Spurlock, The Competitive Position of U.S. Farm Products in the Japanese Market, U.S. Dept. Agr., Foreign Agr. Econ. Rpt. 32.

<sup>15/</sup> "Conference Appraises Future of U.S. Japanese Farm Trade," Foreign Agriculture, U.S. Dept. Agr., July 11, 1966, p. 9. In 1966/67, U.S. imports from Japan exceeded U.S. exports to Japan by about \$500 million.



imports from Japan as a means of forcing such an arrangement. This cuts both ways, of course, and the Japanese have taken an active interest in combined trade and development programs in less developed countries, particularly in Southeast Asia, recognizing that such programs could provide these countries with more foreign exchange for the purchase of Japanese goods. In December 1966, for example, the Japanese Government hosted a conference on Agricultural Development in Southeast Asia and, shortly thereafter, pledged \$100 million to the Asian Development Bank for financing agricultural development projects in Southeast Asia. In fiscal year 1967/68, the Ministry of International Trade and Industry plans to establish a Development and Import Promotion Public Enterprise Corporation to develop the production of corn, grain sorghum, and oilseeds in the less developed countries, especially Thailand, Cambodia, Indonesia, Uganda, and Tanzania.

#### Japanese Imports from Less Developed Countries

As shown in table 7, Japanese imports of U.S. corn and sorghum have increased rapidly during the 1960's even when we take into account that at least two of our competitors, South Africa and Argentina, suffered severe droughts in recent years. However, the rapid advances made by Thailand in this market provide a striking example of the competition faced by U.S. feed grain exporters, a type of competition that is difficult to counter. Reportedly, in certain years the Japanese have offered to import all Thai corn available for export. Although this corn apparently moves into Japan at competitive prices, entry clearly is facilitated by two-way trade considerations. Thailand, which produced an insignificant amount of corn until 1960, now produces about 1 million tons a year, the bulk of which is directed to Japan. Until 1965, Thailand exported very little grain sorghum to Japan; in February 1966, these countries signed a 5-year trade agreement providing for Japanese purchases of unlimited amounts of Thai sorghum.

Currently Japan has an agreement with Taiwan to exchange fertilizers and other inputs for rice. Taiwan's exports of rice to Japan are expected to continue to rise; the limit of these gains probably will depend more on Taiwan's success in curbing its rapid population growth and increasing its rice yields than on the size of the Japanese market.

South Korea, another country that produces the type of rice preferred by the Japanese, has an open account agreement with Japan that specifies the value of trade and requires settlement through a single account in the Bank of Japan. Because of increasing domestic requirements, South Korea's exports of rice to Japan--which now are made only in good crop years--are not likely to grow. Burma and Thailand are regular suppliers of rice to Japan, probably as a means of balancing imports from that country. In recent years, the Burmese Government has had difficulty in procuring an adequate supply of rice for export. Thailand's share of Japan's imports of rice, which amounted to about 25 to 40 percent during 1959-64, fell in 1965-66.

Japan's trade and aid program is not limited to Southeast Asia. In 1966, the Japanese sent a mission to East Africa (Kenya, Uganda, and Tanzania) to explore the potential for expanding production of corn and oilseeds there for export to Japan. In 1965, these countries restricted their imports of Japanese goods because Japan was buying little from East Africa.

Table 7.--Japanese imports of selected agricultural commodities 1955-66

Commodity and country	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
	-Thousand metric tons-											
Corn:												
United States	199	135	242	348	338	184	515	1,032	1,061	1,545	2,302	2,234
Argentina	4	31	14	133	270	428	286	52	75	11	9	17
South Africa	48	44	143	12	97	254	446	868	779	626	30	0
Thailand	48	44	30	113	109	314	460	237	429	722	576	767
Mainland China	1/ 0	4	10	12	0	1	0	0	88	149	243	145
Romania	0	0	0	0	0	0	12	33	82	42	2/	0
Other	44	87	77	48	99	173	112	94	131	134	274	435
Total	343	345	516	666	913	1,354	1,831	2,316	2,645	3,229	3,434	3,598
Sorghum grain:												
United States	80	29	0	0	16	45	146	394	741	797	1,285	2,005
Argentina	0	0	0	0	0	0	0	1	19	227	193	181
Thailand	2/	2/	0	0	0	0	0	0	0	4	20	58
Other	19	9	0	0	0	0	0	6	1	2	1	18
Total	99	38	0	0	16	45	146	401	761	1,030	1,499	2,262
Rice:												
United States	243	20	1	0	0	0	0	0	0	107	290	156
Taiwan	183	89	115	191	151	33	69	52	85	102	274	158
Mainland China	133	113	0	86	0	0	0	0	0	0	168	312
Thailand	341	130	115	45	70	64	34	63	94	117	145	85
Burma	236	267	106	51	27	47	6	21	28	36	46	30
South Korea	0	0	0	0	0	21	9	41	0	14	3	60
Other	110	141	10	132	29	10	8	1	15	39	41	11
Total	1,246	760	347	505	277	175	126	178	222	415	967	812
Wheat:												
United States	1,154	1,080	1,267	1,092	873	981	798	880	1,452	1,681	1,971	2,158
Canada	872	904	862	1,035	1,127	1,326	1,459	1,207	1,303	1,400	1,249	1,387
Australia	182	251	111	151	396	307	355	446	382	484	422	372
Other	79	42	0	2	16	64	19	29	41	27	3	0
Total	2,287	2,277	2,240	2,280	2,412	2,678	2,631	2,562	3,178	3,592	3,645	3,917
Soybeans:												
United States	572	536	605	777	951	1,091	1,102	1,126	1,314	1,322	1,465	1,772
Mainland China	204	166	200	89	0	0	42	165	227	284	376	393
Other	32	15	0	39	46	37	14	2	3	1	6	3
Total	808	717	805	905	997	1,128	1,158	1,293	1,544	1,607	1,847	2,168

1/ 0 indicates zero or less than 1,000 metric tons in all cases.

2/ Included in other.

Sources: The Far East and Oceania Agricultural Data Book, U.S. Dept. Agr., ERS-Foreign 189, May 1967, p. 58-59. U.S. Dept. Agr., Econ. Res. Serv., Foreign Reg. Anal. Div., Far East Branch Worksheets.

Since the Sino-Soviet split in 1959, Mainland China has been looking for other outlets for its soybeans. China exported about 640,000 tons of soybeans to the U.S.S.R. in 1959; by 1962 the quantity had dropped to zero. In particular, China looked to its prewar customer, Japan, which had imported quantities of Chinese beans during 1935-39 equal to those imported by the Soviets during the late 1950's. In 1962, a group of private Japanese traders (Liao-Takasaki) signed a trade agreement for the purchase of substantial quantities of Chinese soybeans, corn, and rice for delivery during 1963-67. Table 7 shows the rapid growth in this trade since 1962. Although there is no direct tie-in arrangement, it is well known that the Mainland Chinese and other Communist countries strive for balanced bilateral trade. In recent years, Chinese purchases of Japanese fertilizers and other chemicals have increased.<sup>16/</sup>

#### Imports from Developed Nations

Japan has trade and payments agreements with Canada and Australia, involving Japanese textiles and steel products on the one hand and wheat and other primary commodities on the other. Since 1962, the United States has regained the position of leading supplier of wheat to Japan, a position lost to Canada during 1959-62. This has been brought about by a combination of factors--increased U.S. trade promotion, a reduction in U.S. freight rates to West Coast ports, and the preoccupation of Canadian and Australian exporters with large shipments of wheat to the U.S.S.R. and China.

Japan has developed strong trade arrangements with South Africa, involving South African corn, sugar, and other agricultural products in exchange for Japanese industrial products, including motor vehicles. Japan's imports of South African corn increased rapidly during the 1960's until curtailed by drought in recent years.

#### LATIN AMERICAN INTEGRATION

In the April 1967 Declaration of Punta del Este, the Latin American Presidents agreed to take action on the following:

a. Beginning in 1970, to establish progressively the Latin American Common Market, which should be substantially in operation within a period of no more than 15 years.

b. The Latin American Common Market will be based on the improvement of the two existing integration systems: the Latin American Free Trade Association (LAFTA) and the Central American Common Market (CACM). The two systems will initiate simultaneously a process of convergence by stages of cooperation, closer ties, and integration, taking

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<sup>16/</sup> The forthcoming reduction in the import duty on soybeans from 13 percent to 6 percent, a concession made by Japan during the Kennedy Round, will improve the U.S. position in relation to Japanese producers but not in relation to other soybean exporting countries. Furthermore, U.S. soybeans will continue to be at a disadvantage in relation to Soviet sunflowerseed; the Japanese duty on sunflowerseed is zero.

into account the interest of the Latin American countries not yet associated with these systems in order to provide their access to one of them.

c. To encourage the incorporation of other countries of the Latin American region into the existing integration systems.

#### Latin American Free Trade Association<sup>17/</sup>

Like those of other free trade areas, LAFTA members maintain their individual tariffs against imports from nonmembers, but within the area they move towards the elimination of tariffs against each other. Many of the LAFTA concessions are for commodities not generally traded between members. However, there has been a significant liberalization of zonal trade in cotton, wheat, cocoa, sugar, cattle, and beef. For cotton and--to an extent--wheat, LAFTA preferences have had an adverse effect on imports from nonmember countries.

Largely because of discrimination, U.S. commercial exports of cotton to Chile have dropped sharply from pre-LAFTA levels and exports to Uruguay have ceased. Commercial imports of cotton by these two countries are shown below (in millions of dollars):

	<u>U.S.</u>	<u>Chile</u>	<u>LAFTA</u>	<u>U.S.</u>	<u>Uruguay</u>	<u>LAFTA</u>
1959	1.2		7.0	0		1.0
1960	7.2		14.4	0.3		0.3
1961	1.8		6.8	3.7		1.3
1962	0.1		18.0	0.5		1.4
1963	0.1		26.8	0		3.3
1964	0.3		n.a.	0		n.a.
1965	0.3		n.a.	0		n.a.

Until December 1965, a duty-exempt government agency was the only legal importer of wheat into Colombia and therefore LAFTA preferences had little influence on the source of Colombia's wheat imports. After December 1965, when the trade shifted to private hands, LAFTA preferences became significant; for example, Colombian millers paid about \$15 to \$20 more per ton for U.S. wheat than for Argentine wheat because of discriminatory duties and other concessions. As shown in the following tabulation, Argentina sold a significant volume of wheat to Colombia in fiscal year 1966/67.

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<sup>17/</sup> Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. Formed in 1961. Venezuela joined in 1966 and Bolivia in 1967.



## Colombian Commercial Wheat Imports

	<u>U.S.</u>	<u>Argentina</u>
	<u>Thousand metric tons</u>	
1960/61	90	0
1961/62	74	0
1962/63	74	0
1963/64	119	0
1964/65	95	44
1965/66	186	0
1966/67	114	53

Colombia would have purchased more than 53,000 tons of Argentine wheat if it had been available. (Colombia's purchase of 44,000 tons of Argentine wheat in 1964/65 was because the large Argentine crops permitted offers at very favorable prices.) In September 1967, Colombia's wheat imports were again placed under a duty-exempt government monopoly.

In 1966/67, U.S. commercial exports of soybean oil to Peru have been replaced by Argentine sunflowerseed oil, which enjoys a LAFTA preference.

As a means of accelerating economic integration, the Presidents of the LAFTA countries committed themselves at Punta del Este to establish, by tariff cuts or other measures, a margin of preference within LAFTA for all LAFTA products, and to facilitate access of products from less developed LAFTA countries to markets of the more developed LAFTA countries. Also, beginning in 1970, LAFTA is to work progressively toward a system of common external tariffs. In the transition from a free trade association to a common market, it is hoped that the margin of preference afforded LAFTA farmers will be sufficient to stimulate economic development and expansion of the market but that--unlike the Common Agricultural Policy of the EEC--it will not unduly restrict imports through overprotection.

### Central American Common Market<sup>18/</sup>

The CACM has common external tariffs (CXT's) and free internal trade for dairy products (except cheese), vegetables (except beans) and products, most cereal preparations, fruits and products, and fats and oils. In addition, there are variable duties on corn, sorghum, rice, and beans. For the latter commodities, importing members must import from other member countries as long as supplies are available. If internal supplies are not available, a committee sets import quotas for nonmembers.

During the 1960's, the U.S. share of CACM imports of CXT and variable duty commodities declined. The intra-CACM share increased in rough proportion to the decline in the U.S. share (table 8). The value of CACM imports of U.S. cereal preparations and vegetables and products fell during this period, although total CACM (including intra-CACM) imports of these commodities increased.

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<sup>18/</sup> Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Formed in 1961. Honduras joined in 1962 and Costa Rica in 1963.



Table 8.--CACM imports of selected agricultural commodities from the United States and intra-CACM, 1959-66

Commodity	United States			Intra-CACM			Total CACM		
	1959	1964	1965	1959	1964	1965	1959	1964	1965
	<u>Million dollars</u>								
Animal feed	2.6	5.3	4.6	2.9	5.2	8.5	5.6	10.8	18.1
Dairy products	1.1	3.1	2.2	0.2	0.6	0.8	6.0	10.3	10.3
Vegetables and products	1.7	0.8	0.9	2.3	5.7	6.0	4.3	6.9	7.3
Cereal preparations	2.5	2.1	1.4	0.1	1.0	2.4	3.4	5.1	5.7
Fruits and products	2.0	1.9	2.1	1.0	3.3	3.2	3.2	5.3	5.5
Animal fats	1.3	3.0	3.3	0.1	0.1	0.3	1.4	3.1	3.7
Vegetable oil	0.2	0.4	0.8	0.6	1.3	1.7	1.0	2.6	3.2
Rice	1.1	1.3	1.7	0.5	0.6	1.0	2.2	2.0	2.8
Total	12.5	17.9	17.0	7.7	17.8	23.9	27.1	46.1	56.6
	<u>Percent</u>								
Percentage of total	46	39	0	28	39	42			

Source: Foreign Agricultural Trade of the United States, U.S. Dept. Agr., Econ. Res. Serv., Feb. 1967, p. 51.

However, it is difficult to relate the decline in the U.S. share to the institution of specific CACM trade regulations. For example, although the variable duty on corn, sorghum, and rice did not go into effect until 1966, the U.S. share of CACM feed grain and rice imports had already declined by 1965. It appears CACM grain producers increased production during the 1960's in anticipation of an expanded, protected market.

## UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) brings together developed countries and less developed countries (LDC's) to explore the structure of international trade. The Conference does not constitute a trading bloc, but it does enable the LDC's to adopt a united stance on matters of common concern, including trade preferences. UNCTAD gives the LDC's an opportunity to voice their desires for economic development through trade and their dissatisfactions with present trading arrangements. After its first meetings in 1964, the Conference became an official organ of the U.N. General Assembly, comprising the Conference itself, a 55-member Trade and Development Board which functions as an executive body and supervises the work of four subcommittees (which cover commodities, manufactures, invisibles and shipping, and finance), and a secretariat.

At the first meeting of UNCTAD, the LDC's clarified their position in world trade. Exports of the LDC's are mainly agricultural products and raw materials, products which form a steadily decreasing proportion of the value of world trade. There are many reasons for this including: (1) industries in developed countries use less raw material per unit of output today; (2) synthetics are replacing natural products in a number of raw material markets; and (3) income elasticity for food is low in developed countries.

In addition, artificial barriers to trade make access to many markets in the developed countries more difficult. High import duties are charged on products of interest to the LDC's such as coffee, tea, cocoa, and tobacco. Products that directly compete with domestic commodities, such as sugar and oilseeds, are sometimes discriminated against by quotas, tariffs, variable levies, and producer subsidies.

During UNCTAD I, the LDC's proposed a detailed program attacking their trading problems on two fronts. First, because the LDC's are likely to depend on primary exports for a long time, they suggested that commodity control agreements--such as those now in operation for coffee and wheat--be expanded. This program would promote the use of export controls, international buffer stocks, and/or bilateral contracts to ensure that the market for these products is cleared at more remunerative rates.

In the longer run, however, the possibilities for improvement in primary trade are limited; and LDC's must diversify their exports. An increase in the export of simple manufactures would give the LDC's the benefit of the value added by processing, and of the stronger, more stable markets that exist in developed countries for manufactured goods. However, the tariff structures of industrial nations often set progressively higher barriers the greater the

degree of processing involved, especially in goods of interest to the LDC's. Also, until a new industry gets started and is able to take advantage of the economies of scale a world market can offer, it is likely to have some difficulty competing with more established processors.

To meet this situation, a controversial plan has been proposed to give trading preferences to LDC manufactures. Industrial countries are asked to remove tariffs on all products of cottage industries, all semi-manufactured goods, and all manufactured goods made primarily from raw material from the LDC's. The LDC's propose that this lifting of restrictions apply to all LDC's, and to them alone, for a period of 10 years, unless a developed country could show consequent difficulties in a domestic market.

The provisional agenda of the second session of UNCTAD, February-March 1968, includes the following topics: Trends and problems in world trade and development; commodity problems and policies; expansion and diversification of export of manufactures and semi-manufactures of developing countries; growth, development finance, and aid; problems of developing countries in regard to invisibles including shipping; trade expansion and economic integration among developing countries; and special measures to be taken in favor of the least developed countries.

Within UNCTAD the United States has supported several kinds of action to assist the LDC's. The U.S. has endorsed use of international commodity arrangements on a commodity-by-commodity basis where practicable, expanded market opportunities, and reduction and eventual elimination of trade barriers. The U.S. has indicated a willingness to consider a temporary departure from its historical adherence to the "most favored nation" principle--which opposes preferences and discrimination by or directed against any group of countries, for whatever reason--and, for the benefit of the developing countries, join in a general system of tariff preferences. President Johnson enunciated this policy at the Punta del Este Conference of early 1967, declaring that:

"We are ready to explore with other industrialized countries--and our own people--the possibility of temporary preferential tariff advantages for all developing countries in the markets of all industrialized countries."

To avoid a further fragmentation of world trade into discriminatory trading blocs, the United States has urged that such preferences: (1) apply equally to all developing countries; and (2) be temporary in nature and gradually be reduced to zero as the competitiveness of these countries increases.

# APPENDIX

Table 9.--EEC exports of grain and grain products to AOC and European regions, 1959-66

Destination and Commodity	SITC number	1959	1960	1961	1962	1963	1964	1965	1966
----- Million dollars, f.o.b. -----									
<b>Intra-EEC:</b>									
Wheat	041	38	31	32	29	32	56	82	
Rice	042	6	4	5	6	3	4	13	
Barley	043	9	24	52	45	64	69	78	
Corn	044	1	4	20	7	32	57	101	
Other cereals	045	8	10	11	8	7	12	17	
Wheat flour	046	6	11	5	8	2	3	2	
Other flour	047	6	5	2	2	1	2	2	
Cereal preparations	048	28	34	43	50	59	67	75	
Total		102	123	170	155	200	270	371	391
<b>AOC:</b>									
Wheat	041	18	35	19	19	15	16		
Rice	042	4	3	2	2	1	1		
Barley	043	0	0	6	0	0	0		
Corn	044	0	0	1	1	0	0		
Other cereals	045	0	0	0	0	0	0		
Wheat flour	046	12	13	15	17	13	13		
Other flour	047	0	0	0	0	0	0		
Cereal preparations	048	14	15	16	13	12	13		
Total		48	66	59	52	41	43	58	48
<b>CEMA:</b>									
Wheat	041	3	0	0	12	47	50	104	
Rice	042	0	0	5	10	7	3	2	
Barley	043	0	0	4	1	16	20	1	
Corn	044	0	0	0	0	0	0	0	
Other cereals	045	1	0	1	0	0	0	0	
Wheat flour	046	0	2	1	5	13	24	5	
Other flour	047	0	0	0	0	0	2	1	
Cereal preparations	048	0	0	0	0	0	1	5	
Total		4	2	11	28	83	100	117	126

Table 9.--EEC exports of grain and grain products to AOC and European regions, 1959-66--Continued

Destination and Commodity	SITC number	1959	1960	1961	1962	1963	1964	1965	1966
Million dollars, f.o.b.									
EFTA:									
Wheat	041	31	11	14	23	42	63	65	
Rice	042	10	12	12	14	12	8	9	
Barley	043	2	14	18	19	25	47	38	
Corn	044	2	12	14	10	24	19	40	
Other cereals	045	5	5	2	5	11	7	8	
Wheat flour	046	6	8	6	6	8	5	3	
Other flour	047	0	0	1	1	4	14	5	
Cereal preparations	048	12	12	13	14	16	20	33	
Total		68	74	80	92	142	183	203	158
Other Europe:									
Wheat	041	0	2	0	4	1	3		
Rice	042	1	1	2	1	0	1		
Barley	043	0	2	3	0	12	28		
Corn	044	0	0	0	0	4	16		
Other cereals	045	0	0	0	0	0	0		
Wheat flour	046	0	0	1	1	1	2		
Other flour	047	0	0	0	0	0	0		
Cereal preparations	048	1	0	1	1	2	4		
Total		2	5	7	7	20	54	48	41
Total EEC:									
Wheat	041	107	98	75	115	182	230	310	
Rice	042	33	28	34	39	29	18	27	
Barley	043	12	41	102	73	119	177	146	
Corn	044	3	17	35	18	60	95	149	
Other cereals	045	14	15	15	14	19	21	27	
Wheat flour	046	56	67	67	82	76	82	96	
Other flour	047	8	6	4	4	6	19	10	
Cereal preparations	048	71	79	90	95	108	124	154	
Total		304	351	422	440	599	766	919	879

Sources: Agricultural Trade of the European Economic Community 1959-64, U.S. Dept. Agr., ERS-Foreign  
 165. Foreign Agricultural Trade of the United States, U.S. Dept. Agr., Econ. Res. Serv., Jan. 1967, p. 14,  
 and Sept. 1967, p. 16.



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